

**BOOK 'EM**  
**FINANCIAL STATEMENTS**  
**December 31, 2005 and 2004**

## TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	2
Financial Statements:	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5 – 6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8 – 10



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
BOOK 'EM

We have audited the accompanying statements of financial position of BOOK 'EM (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BOOK 'EM as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

April 14, 2006

**BOOK 'EM**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 120,649	\$ 99,257
Donated book inventories	14,793	38,475
Other	<u>610</u>	<u>767</u>
Total current assets	136,052	138,499
Furniture and equipment, net of accumulated depreciation of \$2,903	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 136,052</u></u>	<u><u>\$ 138,499</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ -	\$ 5,830
Net assets:		
Unrestricted	<u>136,052</u>	<u>132,669</u>
Total liabilities and net assets	<u><u>\$ 136,052</u></u>	<u><u>\$ 138,499</u></u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Changes in unrestricted net assets:		
Revenues:		
In-kind contributions	\$ 73,547	\$ 90,555
Contributions	102,671	144,137
Special event (including in-kind donations of \$8,609 and \$4,686, respectively)	27,942	20,103
Less: Direct benefit costs (including in-kind expenses of \$8,609 and \$4,686, respectively)	(15,495)	(4,764)
Interest and other	3,032	1,910
Total unrestricted revenues	<u>191,697</u>	<u>251,941</u>
Net assets released from restrictions:		
Expiration of time restrictions	<u>-</u>	<u>3,446</u>
Total net assets released from restrictions	<u>-</u>	<u>3,446</u>
Total unrestricted revenues and other support	<u>191,697</u>	<u>255,387</u>
Functional expenses:		
Program services:		
Book distributions	99,162	199,077
Ready for Reading	20,835	7,946
Biblioteca sin Paredes	11,576	-
Other programs	11,451	7,255
Total program services	<u>143,024</u>	<u>214,278</u>
Supporting services:		
Management and general	24,874	33,663
Fund raising	20,416	5,992
Total supporting services	<u>45,290</u>	<u>39,655</u>
Total functional expenses	<u>188,314</u>	<u>253,933</u>
Increase in unrestricted net assets	<u>3,383</u>	<u>1,454</u>
Changes in temporarily restricted net assets:		
Contributions	-	-
Net assets released from restrictions	<u>-</u>	<u>(3,446)</u>
Decrease in temporarily restricted net assets	<u>-</u>	<u>(3,446)</u>
Increase (decrease) in net assets	3,383	(1,992)
Net assets at beginning of year	<u>132,669</u>	<u>134,661</u>
Net assets at end of year	<u>\$ 136,052</u>	<u>\$ 132,669</u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2005**

	Program Services					Supporting Services			Total Expenses
	Book Distributions	Ready for Reading	Biblioteca sin Paredes	Other Programs	Total Programs	Management and General	Fund Raising	Total Supporting	
Salaries	\$ 6,849	\$ 4,215	\$ 6,849	\$ 3,161	\$ 21,074	\$ 19,493	\$ 12,118	\$ 31,611	\$ 52,685
Payroll taxes and employee benefits	539	332	539	249	1,659	1,534	954	2,488	4,147
Total compensation	7,388	4,547	7,388	3,410	22,733	21,027	13,072	34,099	56,832
Book distributions	82,502	13,374	1,278	2,175	99,329	-	-	-	99,329
Facility costs	5,844	52	343	52	6,291	59	59	118	6,409
Miscellaneous	503	1,000	1,144	531	3,178	1,497	1,678	3,175	6,353
Professional fees	884	884	884	884	3,536	994	994	1,988	5,524
Printing	78	78	78	3,386	3,620	266	1,500	1,766	5,386
Postage and shipping	173	97	97	348	715	50	2,608	2,658	3,373
Local travel	519	506	142	238	1,405	356	445	801	2,206
Supplies	592	109	34	192	927	578	13	591	1,518
Telephone	679	188	188	235	1,290	47	47	94	1,384
Total	<u>\$ 99,162</u>	<u>\$ 20,835</u>	<u>\$ 11,576</u>	<u>\$ 11,451</u>	<u>\$ 143,024</u>	<u>\$ 24,874</u>	<u>\$ 20,416</u>	<u>\$ 45,290</u>	<u>\$ 188,314</u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2004**

	Program Services				Supporting Services			
	<u>Book</u> <u>Distributions</u>	<u>Ready for</u> <u>Reading</u>	<u>Other</u> <u>Programs</u>	<u>Total</u> <u>Programs</u>	<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u> <u>Supporting</u>	<u>Total</u> <u>Expenses</u>
Salaries	\$ 7,378	\$ 4,696	\$ 1,342	\$ 13,416	\$ 17,777	\$ 2,348	\$ 20,125	\$ 33,541
Payroll taxes and employee benefits	570	363	104	1,037	1,373	181	1,554	2,591
Total compensation	7,948	5,059	1,446	14,453	19,150	2,529	21,679	36,132
Book distributions	181,252	-	-	181,252	-	-	-	181,252
Miscellaneous	2,488	1,404	878	4,770	4,780	129	4,909	9,679
Facility costs	6,172	747	746	7,665	-	-	-	7,665
Contract labor	-	-	2,500	2,500	3,666	917	4,583	7,083
Postage and shipping	-	-	287	287	746	1,478	2,224	2,511
Professional fees	-	-	-	-	2,400	-	2,400	2,400
Printing	-	283	1,010	1,293	110	834	944	2,237
Supplies	-	115	45	160	1,861	-	1,861	2,021
Telephone	819	273	205	1,297	100	68	168	1,465
Local travel	271	61	121	453	850	37	887	1,340
Depreciation	127	4	17	148	-	-	-	148
Total	<u>\$ 199,077</u>	<u>\$ 7,946</u>	<u>\$ 7,255</u>	<u>\$ 214,278</u>	<u>\$ 33,663</u>	<u>\$ 5,992</u>	<u>\$ 39,655</u>	<u>\$ 253,933</u>

See accompanying notes.

**BOOK 'EM**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 3,383	\$ (1,992)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	-	148
Loss on disposal of furniture and equipment	-	959
Changes in operating assets and liabilities:		
Donated book inventories	23,682	14,730
Contributions receivable	-	3,446
Other current assets	157	(378)
Accounts payable	<u>(5,830)</u>	<u>5,830</u>
Net cash provided by operating activities	<u>21,392</u>	<u>22,743</u>
Net increase in cash and cash equivalents	21,392	22,743
Cash and cash equivalents at beginning of year	<u>99,257</u>	<u>76,514</u>
Cash and cash equivalents at end of year	<u><u>\$ 120,649</u></u>	<u><u>\$ 99,257</u></u>

See accompanying notes.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005 and 2004**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

BOOK 'EM (the Organization) is a nonprofit organization located in Nashville, Tennessee. BOOK 'EM serves to provide books to children from low-income families and reading volunteers to schools and community centers in Davidson and Williamson Counties. Its programs focus on inspiring a love of books and reading in children.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may be met or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, BOOK 'EM considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Donated Book Inventories**

Donated books have been valued at \$5.00 per item contributed for the years ended December 31, 2005 and 2004.

**Furniture and Equipment**

Furniture and equipment is recorded at cost or at fair value as of the date contributed. Maintenance and repairs are charged to general expenses when incurred. Betterments and renewals that materially extend the life of the assets are capitalized and are depreciated using the straight-line method over the estimated useful lives of the respective assets, all of which were five years as of December 31, 2005 and 2004.

Donations of furniture and equipment are reported as unrestricted support unless the donor has restricted the assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**December 31, 2005 and 2004**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Income Taxes**

BOOK 'EM is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

**Donated Materials and Services**

Donated materials and services are reflected as contributions in the accompanying statements of activities at their estimated fair value at date of receipt.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could ultimately differ from those estimates.

**Contributions Revenue**

Contributions are recognized as revenue when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. At December 31, 2005 and 2004, there are no temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

**Concentrations**

The Organization had cash deposits in excess of federally insured limits as of December 31, 2005 and 2004. Credit risk is managed by maintaining all deposits in high quality financial institutions.

**BOOK 'EM**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**December 31, 2005 and 2004**

**NOTE 2 - FURNITURE AND EQUIPMENT**

Furniture and equipment include the following as of December 31:

	<u>2005</u>	<u>2004</u>
Furniture	\$ 1,701	\$ 1,701
Office equipment	<u>1,202</u>	<u>1,202</u>
	2,903	2,903
Less accumulated depreciation	<u>(2,903)</u>	<u>(2,903)</u>
	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3 - IN-KIND CONTRIBUTIONS**

In-kind contributions received during the years ended December 31, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Books	\$ 71,597	\$ 87,159
Special event items	8,609	4,686
Printing and copying services	1,950	500
Delivery services	-	200
Equipment	-	400
Other	<u>-</u>	<u>2,296</u>
	<u>\$ 82,156</u>	<u>\$ 95,241</u>

**NOTE 4 - LEASE COMMITMENTS**

In 2002, the Organization entered into a lease agreement for office space. The lease may continue indefinitely for one-year terms, until either party gives 90 days written notice of termination prior to the end of the term. Lease payments due for the year ending December 31, 2006 are expected to be \$6,000. Rent expense totaled \$5,500 and \$5,776 for the years ended December 31, 2005 and 2004, respectively.